

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

WEST STAR YACHT, LLC,

Plaintiff,

v.

SEATTLE LAKES CRUISES, LLC and
ARGONAUT INSURANCE COMPANY,

Defendants.

Case No. C21-223RSM

ORDER DENYING PLAINTIFF'S
MOTION TO RECLASSIFY
DEFENDANT'S COUNTERCLAIM AS
AN AFFIRMATIVE DEFENSE

This matter comes before the Court on Plaintiff's Motion to reclassify Defendant's counterclaim as an affirmative defense. Dkt. #81.

Generally speaking, counterclaims are claims that arise out of the transaction or occurrence that is the subject matter of the opposing party's claim. *See* Fed. R. Civ. P. 13(a)(1). An affirmative defense is "a defendant's assertion of facts and arguments that, if true, will defeat the plaintiff's... claim even if all the allegations in the complaint are true." Defense, *Black's Law Dictionary* 451 (8th Ed. 2004). "If a party mistakenly designates a defense as a counterclaim, or a counterclaim as a defense, the court must, if justice requires, treat the pleading as though it were correctly designated, and may impose terms for doing so." Fed. R. Civ. P. 8(c)(2).

ORDER DENYING PLAINTIFF'S MOTION TO RECLASSIFY DEFENDANT'S
COUNTERCLAIM AS AN AFFIRMATIVE DEFENSE - 1

1 On June 6, 2021, Plaintiff, West Star Yacht, LLC (“West Star”), filed its Second
2 Amended Complaint against Seattle Lakes Cruises, LLC (“Seattle Lakes”) and Argonaut
3 Insurance Company (“Argonaut”) alleging various causes of action arising from damage to a
4 leased vessel owned by West Star. Dkt. #67. On June 30, 2021, Seattle Lakes filed an Answer
5 with affirmative defenses and a counterclaim alleging that an “actual controversy exists
6 between the parties regarding the allocation of insurance proceeds pursuant to the
7 Agreement...” Dkt. # 72. Seattle Lakes requests that the Court declare “any insurance proceeds
8 obtained by West Star from any insurer providing coverage for the vessel... offset or reduce
9 Seattle Lake’s liability for damages to West Star.” *Id.*

11 West Star argues this counterclaim seeks to limit Seattle Lakes’ liability through an
12 offset. Dkt. #81 at 2. West Star points to cases where offset has been interpreted as an
13 affirmative defense. *Id.* at 3 (citing *Rahman v. San Diego Accounts Services, Inc.*, 2017 WL
14 1387206 (S.D. Cal. 2017); *Jacobson v. Persolve, LLC*, 2014 WL 4090809, at 9 (N.D. Cal.
15 2014)).

17 In Response, Seattle Lakes argues it cannot bring an affirmative defense for offset *yet*
18 because West Star has not yet received insurance proceeds and that its counterclaim for
19 declaratory relief is procedurally proper. Dkt. #83.

21 On Reply, West Star states:

22 Here, Seattle Lakes’ second Affirmative Defense asserts that West
23 Star’s “claims are barred and/or limited by contract.” [Dkt. No. 72,
24 p. 9]. Paragraph 6 of Seattle Lakes’ purported Counterclaim
25 alleges that its Agreement with West Star requires an offset in the
26 amount of “any insurance proceeds obtained by West Star from
27 any insurer.” [Dkt. No. 72, p. 10]. Seattle Lakes’ counterclaim is
28 entirely encompassed within its affirmative defense that West
Star’s contractual damages must be limited by contract. The
counterclaim, therefore, seeks nothing more than a declaration that

1 Seattle Lakes should prevail on the second Affirmative Defense it
2 pleads one page earlier.

3 Dkt. #85 at 2.

4 The Court is convinced by Seattle Lakes' argument that its counterclaim is an
5 independent cause of action because an affirmative defense of offset cannot be pled prior to
6 West Star receiving insurance proceeds. Although it appears that this counterclaim may have
7 some overlap with the "limited by contract" affirmative defense, such is not immediately
8 obvious from the pleading, West Star failed to make this argument in its motion, and West Star
9 has failed to show any significant burden to responding to the counterclaim or why "justice
10 requires" granting the requested relief.

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12 Having reviewed the relevant briefing and the remainder of the record, the Court hereby
13 finds and ORDERS that Plaintiff West Star's Motion to reclassify Defendant's counterclaim as
14 an affirmative defense, Dkt. #81, is DENIED.

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17 DATED this 16th day of November, 2021.

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21 RICARDO S. MARTINEZ
22 CHIEF UNITED STATES DISTRICT JUDGE
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